



Arizona Value-Based Purchasing Initiatives

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AHCCCS Value-Based Purchasing

Contract mandate to leverage MCO model:

- Members' experience and population health are improved
- Per-capita health care cost is limited to rate of general inflation through aligned incentives with provider partners
- Commitment to continuous quality improvement and learning

Initiatives Under VBP Umbrella

- VBP Contracting – MCO incentives/penalties, including capitation withhold, tied to performance on a range of quality measures
 - aligned incentives between payers/providers
 - minimum % of revenue under VBP contracts
- Valued Providers – direct members to providers who participate in VBP and offer value using measurable outcomes

Initiatives Under VBP Umbrella, cont.

- Centers of Excellence – incentivize utilization of valued providers for evidenced based, high volume procedures/conditions
- E-Prescribing – improve members' health outcomes and reduce costs
- APR-DRGs – shift from per diem rates focusing on quality of care over quantity of services – includes a readmit disincentive

AHCCCS VBP Journey

- VBP effective CYE 14 – MCOs active prior but with no compensation from AHCCCS for improved outcomes, reduced costs, non-encounterable provider payments
- Commitment by AHCCCS to identify mechanism to reimburse for provider incentive payments, as well as rewards for outcomes (latter included starting CYE 14)

AHCCCS VBP Journey, cont.

- Effective CYE 16 - VBP payments made by MCOs to providers reimbursed through post-year reconciliation
- Most provider contracts on low end of VBP Strategy continuum, i.e. low level of risk – e.g. primary care incentives and performance based contracts – very few contracts with any downside risk

AHCCCS VBP Journey, cont.

- No shortage of providers in urban areas willing to contract despite having 7 MCOs in largest AZ County
- Challenges with provider penetration in rural areas due to small numbers of members – more difficult to incentivize providers due to increased requirements without sufficient member assignment

Next Steps in Journey

- Not much evidence to prove that pay for performance models are effective
- Effective CYE 18, move to Health Care Payment Learning and Action Network (LAN) Alternative Payment Model (APM) Framework with focus on Categories 3/4
 - APMs with upside and downside risk
 - Population-based payments

Lessons Learned

- Role of State: leadership, commitment, establish broad goals for system
- Resources needed both at State and MCOs
- Culture of learning; goals and progress are incremental; vision will evolve
- System design matters - true VBP requires integration to align incentives
- Requires improved access to actionable data – HIE; AHCCCS mandated MCOs to join